



# Notes on proposed Rule Changes for 2020 AGM

Low Carbon Hub IPS Limited

Notes on: Resolution 3 to approve the special resolution to change the Rules of the IPS

As you may remember, at last year's AGM, the membership was asked to vote to approve a number of changes to the IPS Rules. These were approved at the AGM. The final stage of this process was that the Rules had to be approved by the Financial Conduct Authority (FCA), which oversees the activities of mutual societies.

Unfortunately, while some of the rule changes were acceptable to the FCA, there were a number of issues that needed to be resolved before *all* of the rule changes could be accepted.

Below we have included the original reasoning for each rule change proposed (in grey boxes) as presented to members last year, and then some additional notes for this year's AGM indicating where further amendments have been required by the FCA and what we are proposing.

## 1. Highlight our charitable purpose in the Rules

*Whilst community benefit and social purpose are a strong part of our ethos and commitment in our work, our current Rules are open to interpretation. In the short term, this has led to a number of District Councils charging us commercial business rates rather than offering charitable exemptions, reducing the amount of surplus we are able to generate for community benefit. In the long term this could also leave us vulnerable to the unlikely, but nevertheless possible risk, of our social purpose being undermined.*

*We have taken legal advice as to how our Rules can be enhanced to better reflect and protect our social purpose.*

- *To this end we are proposing a change in the Rules to better reflect and protect our charitable and social aims (Rules 2.2, 2.3 and 2.4)*

**Notes for 2020 AGM:** The solicitors working on our behalf made further amendments to Rules 2.2.3 and 2.4.2 to strengthen the wording around charitable purpose.



In addition, the FCA advised us to strengthen the wording in the winding-up provision as set out in Rule 33.2 to prevent any amendment of the rules to move away from the charitable purposes.

- We are proposing further changes in the wording of the Rules to better reflect our charitable and social aims (Rules 2.2.3, 2.4.2, and 33.2)

## 2. Under 16s to own shares

*We have received several requests from our shareholders members asking for children and grandchildren to own their own shares. At the moment our Members can only hold shares on behalf of children. We want to change this to make it easier for parents and grandparents to make investments for children. People who already own shares on behalf of children will decide if they want to continue holding those shares or would prefer to transfer them to the child. For future share offers, people will make this choice at the time of purchasing shares.*

- *The 2014 Act now allows children under 16 to own shares. Given this change, we'd like to change our Rules (Rule 12) so that we allow children to become members of the Low Carbon Hub IPS and own shares.*

**Notes for 2020 AGM:** For information only - Members are *not* being asked to vote again on this change as the FCA was satisfied with this proposed Rule change.

## 3. Allow people to leave shares to Low Carbon Hub CIC in their wills

*A number of member shareholders have asked if they can leave their shares to us in their will. We are very grateful for this support and proud of the trust given to us by our Members.*

- *We propose a clarification of the Rules (Rule 13.1) to enable this to happen.*

**Notes for 2020 AGM:** For information only - Members are *not* being asked to vote again on this change as the FCA was satisfied with this proposed Rule change.

#### 4. Remove the £10m borrowing limit

*We are growing as an organisation and Project LEO is enabling us to contemplate a scale of project and investment that exceed those we anticipated when the Hub was first set up. We would like to remove a £10 million borrow limit that is currently in our Rules to enable us to take advantage of opportunities as they arise, for example being able to invest in assets and develop community energy projects. The removal of this absolute borrowing limit will mean we will not be automatically restricted in our ability to progress community energy projects, which could significantly increase our contribution to reducing our County's carbon emissions.*

*Any proposed borrowing would still need to be in line with the policies set out by our investment committee whose role is to ensure prudent financial decision making.*

- *We are proposing to change the Rules (pg 30) to remove the borrowing limit of £10m in order to give us this flexibility.*

**Notes for 2020 AGM:** The FCA have advised us that the Rules **must** contain a borrowing limit and therefore we cannot implement the proposed rule change and the borrowing limit of £10 million will remain in place.

However, we have established that this borrowing limit will not in fact prevent us from taking advantage of development opportunities. We have been advised that any long-term debt associated with large scale projects will be held in subsidiary companies and not the Low Carbon Hub IPS Limited. And so, it won't count towards the £10m limit laid out in the Rules. This will enable us to continue to invest in assets and develop community energy projects.

As always, we continue to work in line with strict policies and guidelines regarding borrowing as established by our Investment Committee.

- We are advising that the borrowing limit of £10m has been reinstated to be in line with FCA requirements.